

NEW APPLICATION



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ORIGINAL

ARIZONA CORPORATION COMMISSION

DOCKETED

APR 16 2014

**COMMISSIONERS**

BOB STUMP, CHAIRMAN 2014 APR 16 P 3:39  
GARY PIERCE  
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ARIZONA CORPORATION COMMISSION  
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IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. G-04204A-14-0132  
UNS GAS, INC. FOR APPROVAL TO REDUCE )  
ITS DEMAND SIDE MANAGEMENT ) APPLICATION  
SURCHARGE AND FOR RELATED )  
APPROVALS. ) Expedited Approval Requested

UNS Gas, Inc. ("UNS Gas" or "Company") seeks approval of:

1. A reduction of its annual energy efficiency program budget from \$1,612,582 to \$729,462, which is the result of: (i) discontinuing the Existing Homes Retrofit and Residential Energy Assessment Program ("Existing Home Program") and (ii) increasing the budget for the Low-Income Weatherization ("LIW") Program from \$201,500 to \$251,500.

2. A reduction in the Company's Demand Side Management ("DSM") surcharge from \$0.0084 per therm to \$0.0048 per therm to reflect the reduced budget; and

3. A temporary credit of (\$0.0023) per therm for two years to return over-collected funds to customers.

UNS Gas further requests expedited consideration of this application to mitigate further over-collection of energy efficiency program funds and reduce the impact of the DSM surcharge on customers' bills.

**A. Reduced DSM Budget and Surcharge.**

The lower surcharge requested herein reflects a reduction in the Company's DSM budget due to the discontinuation of the Existing Home Program. Although the program attracted steady participation and generated solid energy savings, UNS Gas' ongoing monitoring of its DSM

programs revealed that these benefits did not outweigh the cost of the program under the societal cost test.<sup>1</sup> For this reason, the Company has suspended the program. Accordingly, UNS Gas no longer plans to spend the \$933,100 previously included for that program in the 2014 DSM budget approved by the Arizona Corporation Commission (“Commission”).

The Company’s proposed revision to its 2014 DSM budget also would include a \$50,000 increase in the Commission-approved budget for the LIW program, from \$201,500 to \$251,500. This increase would allow more qualifying customers to take advantage of this popular, cost-effective program, thus creating additional energy savings among residential customers. Increasing the LIW budget effectively moves a small portion of the discontinued Existing Home Program budget to the LIW budget, as contemplated by UNS Gas’ approved Energy Efficiency Implementation Plan. However, in an abundance of caution, UNS Gas is seeking approval of the increased LIW budget, to the extent necessary.

The changes described above would reduce UNS Gas’ 2014 DSM budget by \$883,120, as shown in the table below.

UNS Gas DSM Program	Commission Approved 2014 Budget	UNS Gas Proposed 2014 Budget
<b>Residential Programs</b>		
Low-Income Weatherization	\$201,500	\$251,500
Residential New Construction	\$140,932	\$140,932
Existing Home Program	\$933,120	\$0
<b>Total for Residential Programs</b>	<b>\$1,275,552</b>	<b>\$392,432</b>
<b>Commercial Programs</b>		
C&I Facilities Gas Efficiency	\$218,545	\$218,545
<b>Total for Commercial Programs</b>	<b>\$218,545</b>	<b>\$218,545</b>
Program Develop., Analysis & Reporting	\$118,485	\$118,485
<b>Portfolio Totals</b>	<b>\$1,612,582</b>	<b>\$729,462</b>

UNS Gas’ proposed DSM surcharge of \$0.0048 per therm would adequately fund the revised 2014 budget of \$729,462 as well as the Company’s annual DSM budgets for the foreseeable future. If

<sup>1</sup> As shown on Table 4 of UNS Gas’ 2013 DSM Progress Report submitted on April 1, 2014 (Docket No. G-00000G-14-0105), the Societal Benefit of the Program was \$480,084 while the Societal Cost was \$754,854, thus creating a Societal Benefit/Cost Ratio of 0.64, well below the threshold ratio of 1.

1 approved, the proposed surcharge would reduce the average DSM surcharge paid by residential  
2 customers from \$0.39 per month to \$0.22 per month. (See the table below for more detail.)

3 **B. Temporary Credit.**

4 Under the current surcharge, UNS Gas had accumulated an over-collected balance of  
5 \$700,606 in DSM funds as of December 31, 2013. To return these funds to customers  
6 expeditiously, UNS Gas proposes a temporary credit of (\$0.0023) per therm for two years, or until  
7 the over-collection is returned. The new DSM surcharge, net of the temporary credit, would be  
8 \$0.0025 per therm for two years, or until the over-collection is returned. During this period, the  
9 average residential customer would pay a monthly DSM surcharge of approximately \$0.12. The  
10 table below outlines the Company's requested 2014 DSM surcharge and credit calculation:

11

12 UNSG Proposed DSM Budget (2 years)	\$1,458,924
13 Therm Sales Forecast (Aug 2014 – Jul 2016)	305,551,581
14 <b>Proposed DSMS per therm</b>	<b>\$0.0048</b>
15 Current DSMS per therm	\$0.0084
16 Average Monthly Residential therm use	46
17 Average Monthly Residential charge (current DSMS)	\$0.39
18 <b>Average Monthly Residential charge (proposed DSMS)</b>	<b>\$0.22</b>
19 Average Monthly Residential Reduction	\$0.17
20 DSM over-collection through Dec 2013	(\$700,606)
21 <b>Credit required to return over-collection (2 years)</b>	<b>(\$0.0023)</b>
22 Proposed DSMS with Credit	\$0.0025
23 <b>Average Monthly Residential charge (with Surcredit)</b>	<b>\$0.12</b>
24 Average Monthly Residential Reduction (with Surcredit)	\$0.27

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26 Once the over-collected funds are completely returned, UNS Gas would eliminate the proposed  
27 temporary credit and notify Commission Staff that the refund is complete and that the Company  
has resumed collection of its full, approved DSM surcharge.

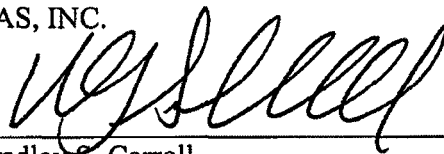
1           **C.     Relief Requested.**

2           For the reasons stated above, UNS Gas respectfully requests that the Commission approve:  
3     (1) the increase in the annual LIW program budget from \$201,500 to \$251,000; (2) the reduction  
4     of the overall annual energy efficiency program budget from \$1,612,582 to \$729,462; (3) the  
5     reduction of its DSM surcharge from \$0.0084 per therm to \$0.0048 per therm; and (4) the  
6     implementation of a two year credit of (\$0.0023) per therm. The Company also requests  
7     expedited treatment of this application to mitigate further over-collection of DSM funds and  
8     reduce the impact of the DSM surcharge on customers' bills.

9  
10           RESPECTFULLY SUBMITTED this 16<sup>th</sup> day of April 2014.

11                           UNS GAS, INC.

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13           By

  
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25                           Attorneys for UNS Gas, Inc.  
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1 Original and 13 copies of the foregoing  
2 filed this 16<sup>th</sup> day of April 2014, with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007

7 Copies of the foregoing hand-delivered/mailed  
8 this 16<sup>th</sup> day of April 2014, to:

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26 By Jaclyn Howard  
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